



United States Department of Agriculture
Rural Development
Texas State Office

USDA Rural Development Texas AN No. 603 (3550)

JAN 22 2008

TO: All Offices
USDA Rural Development, Texas

FROM: Scooter Brockette
Acting State Director
USDA Rural Development, Temple

A handwritten signature in black ink, appearing to read "Scooter Brockette", with a large, stylized flourish extending from the end of the signature.

SUBJECT: Fiscal Year 2008 Direct Single Family Housing Area Loan Limits

PURPOSE/INTENDED OUTCOME: The purpose of this Administrative Notice (AN) is to establish maximum loan limits, authorized under the Section 502 direct loan program and to provide guidance for USDA Rural Development employees in the processing of direct Single Family Housing applications.

COMPARISONS WITH PREVIOUS ANs: This AN replaces Texas AN number 598 which expires February 29, 2008.

IMPLEMENTATION RESPONSIBILITIES: USDA Rural Development-Texas elected to keep Fiscal Year 2007 loan limits for Fiscal Year 2008. USDA Rural Development employees will review and process direct Single Family Housing applications in the manner described below when determining maximum loan limitations.

The definition of "Market Value", as stated in HB-1-3550, paragraph 6.6:

"Market Value of the Property. The market value of the property can not exceed the area loan limit. Market value is generally accepted to mean the price for property agreed upon between a willing and informed buyer and a willing and informed seller and/or contractor under usual and ordinary circumstances when the property is exposed for sale on the open market with reasonable time allowed to find a purchaser. This determination shall be made at the time the purchase agreement or construction package is submitted and is not dependent on the appraised value." In addition, a modest dwelling must be one that is considered modest for the area, must not be designed for income producing purposes, and must not have an in-ground swimming pool.

EXPIRATION DATE:
February 28, 2009

FILING INSTRUCTIONS:
HB-1- 3550
Appendix 10

101 South Main • Suite 102 • Temple, TX 76501
Phone: (254) 742-9770 • Fax: (254) 742-9735 • TDD: (254) 742-9712 • Web: <http://www.rurdev.usda.gov>

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Area loan limits are a maximum market value limit, not a goal for new Section 502 direct loans. For example, if the cost of a typical house in a particular county is \$100,000 then we should continue to finance houses in that price range, even though the area loan limit may be \$120,000.

Area loan limits data will be updated annually. **All USDA Rural Development local offices are directed to begin collecting new comparable sales (of typical sites located in eligible areas) so they will be available when area loan limits are updated next year.**

The loan an applicant receives must not exceed the area loan limit unless the applicant chooses to finance the appraisal fee, tax service fee, or the initial contribution to fund the escrow account, in which case the loan can exceed the area loan limit by the cost of these items.

As stated in HB-1-3550 paragraph 6.6 B, the maximum loan limit for a particular loan will be reduced in the following situations:

- If the applicant owns the building site free and clear or if an existing non-Agency debt on the site will not be refinanced with Agency funds, the market value of the lot will be deducted from the area loan limit.
- If Agency funds will be used to refinance non-Agency debt on the building site, the equity (market value minus the debt owed against the site) will be deducted from the area loan limit.
- When the applicant is purchasing a site below the market value, the difference between the market value and the sales price will be deducted from the area loan limit.
- When an applicant is receiving a housing grant or other form of affordable housing assistance for eligible loan purposes other than closing costs, the amount of such grants and other affordable housing assistance will be deducted from the area loan limit.
- The maximum loan amount for self-help housing will be determined by adding the total of the market value of the lot (including reasonable and typical costs of site development), the cost of construction, and the value of sweat equity. The total of these factors cannot exceed the area loan limit for the area.

Please contact Linda Sultenfuss, Housing Programs, if you have any questions.